



BY EMAIL: comments@osc.gov.on.ca

January 8, 2025

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

Re: OSC Notice 11-799 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2025-2026

Dear Sirs/Mesdames,

We are writing to provide our comments to the Ontario Securities Commission (the “OSC”) with respect to its draft Statement of Priorities for Fiscal Year 2025-2026 (the “Statement”).

Fidelity Investments Canada ULC (“Fidelity”, “we”, “us”, “our”) is the second largest mutual fund company in Canada. As at November 30, 2024, Fidelity managed over \$289 billion (CAD) in retail mutual funds, exchange traded funds and institutional assets. For over 75 years, including 37 years in Canada, Fidelity has put investors first by working hard to help them achieve their financial goals.

We are supportive of the Statement prioritizing to enhance the experience of individual investors and the OSC’s continued focus on investor protection. Our comments below highlight areas where we believe the OSC can strengthen its approach and better support the investment fund industry, which align with the OSC’s mandate to foster fair, efficient and competitive capital markets.

Modernization of the Continuous Disclosure Regime for Investment Funds

We commend the OSC and Canadian Securities Administrators (“CSA”) for the steps taken so far to modernize the continuous disclosure regulatory framework, and we look forward to continuing to engage with the OSC and CSA on this consultation to evolve the regulation while reducing regulatory burden.

We urge the OSC to work together with the CSA to remove the requirement for interim fund reports altogether. The Ontario Capital Markets Modernization Taskforce’s final recommendations called for the elimination of the interim management reports of fund performance (“MRFPs”) in 2021. The economic benefit to investment fund companies required to prepare and file the interim reports would be immediate and the savings across our industry could be used to benefit investors in other ways.

We have seen a very low percentage of investors opt-in to receive the interim MRFPs, which leads us to believe that these documents are not meaningful to investors. In 2023, approximately only 1.25% of our investors opted-in to receive interim MRFPs. Yet these documents are costly and labour intensive to prepare, review, file and deliver.

We believe this recommendation would not negatively impact investors. Investors would continue to receive the audited financial statements and fund reports on an annual basis. Investors would also continue to receive meaningful financial information through other disclosure documents, which are updated more frequently.

Access-Based Models

We continue to support the OSC and CSA in taking action to modernize the way regulatory and continuous disclosure documents are made available for the benefit of both investors and issuers, and we look forward to engaging on the proposed amendments to implement an access-based model specific to investment fund issuers.

We suggest that the OSC and other CSA members extend the proposals for investment fund issuers beyond financial statements and fund reports. In our view, a long-term solution for digitalization should be a priority and is already long overdue in our industry.

As we stated in our comments provided in the previous CSA consultation, the collection and provision of investor e-mail addresses must be mandated as part of the client onboarding process at the dealers. We consider this a crucial first step towards modernizing the regulatory delivery regime. For market participants that do not have direct client access to this information, it should also be a requirement that such information be passed on to those who have delivery obligations under securities laws, e.g., mutual fund manufacturers. To aid in this process, making a universal consent form as part of account opening documents would be beneficial for dealers and investment fund manufacturers to rely upon to create a reliable and comprehensive database of client electronic information.

It is also our view that the default method of delivery should be electronic for investment fund disclosure documents, so long as investors have the ability to opt to receive paper documents if that is their preferred method. Ultimately, our view is that the default electronic delivery regime would establish three methods of delivery for regulatory documents:

- (i) access-based delivery;
- (ii) electronic delivery; and
- (iii) paper delivery (opt-out).

We believe that documents containing publicly available information are best suited to the access-based regime to effect delivery. We would not object to a notice to investors to indicate that the documents are available on the website, perhaps also with a link to the website/document. For documents containing any personalized investor information, the electronic delivery regime is suitable, whereby an email is sent to investors to notify them to log in to a secure portal with the full text of the document. This is already a well-used mechanism in our industry by dealers.

Investor Choices

We commend the OSC, along with the Canadian Investment Regulatory Organization and CSA, for making it a priority to investigate the impact that limited product shelves may have on investors. We share the same concern for possible negative investor outcomes, including inferior performance, as a result of closing shelves to third party investment products. We believe that all investors should have access to a choice of appropriate investments that best serve their needs.

However, we note that this priority is carried over from last year's Statement, and there has been no update on any specific actions that the OSC intends to carry out to address these issues. While we commend the OSC for continuing to make this a priority, the mutual fund industry would value greater transparency from the OSC on



the status of this project in order for investors and industry stakeholders to understand if the Client Focused Reforms are operating as intended.

SEDAR+

We acknowledge the effort that has gone in to help overcome growing pains associated with transitioning to the new SEDAR+. Despite the system updates that have been implemented so far, we are still experiencing many issues resulting in increased delays and frustration trying to complete our regulatory filings. In our view it seems that the current system was built more for public issuer filings than investment fund filings.

In addition, the CSA published in November proposed amendments to the SEDAR+ system fees. The CSA is proposing a 60% system fee increase in November 2025 and 3% increases in each of the following four years. This represents a substantial increase in system fees for fund manufacturers in the categories of prospectus and annual financial statement filings. For Fidelity, this means an increase from approximately \$160,733 to \$257,173 annually, which is a significant increase for Fidelity.

The CSA has spent a tremendous effort and amount of money implementing the new SEDAR+ platform however we continue to experience many filing issues. For example, when attempting to attach filing documents to a project or regulatory fees, it often overwhelms the system, and we encounter sessions timing out. As a result, we have to create and submit several micro-submissions that allow us to file only some of the documents at a time. For our Fidelity Funds renewal filing this past November, we made 55 micro-submissions. This issue persists even when the size of the documents collectively is well below the system threshold. Due to these issues and timing constraints surrounding regulatory filings, we have attempted to prepare drafts of projects. However, these draft projects become corrupt resulting in them being unusable, requiring us to create a new project set-up each time.

Based on the proposed increase in system fees coupled with the SEDAR+ system issues, it appears that the industry is bearing the costs to fix these issues. We would encourage the OSC to prioritize system improvements to make it easier for investment funds to complete its filings without issue and believe that the fees to pay for the SEDAR+ issues should be paid from each of the securities commissions' surplus funds, not the industry.

We would like to thank the OSC for the opportunity to comment on the Statement and we would be pleased to discuss any of our comments with you in more detail.

Yours sincerely,

“Marissa Mymko”

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Legal Counsel

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